

**HOLLAND AREA COMMUNITY
SWIMMING POOL AUTHORITY**

REPORT FOR

YEAR ENDED JUNE 30, 2006

**De Boer, Baumann
& Company P.L.C.**

Certified Public Accountants & Consultants

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Holland Pool Authority	County Ottawa/Allegan
Fiscal Year End June 30, 2006	Opinion Date August 16, 2006	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).



Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.


We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) De Boer, Baumann & Company, PLC		Telephone Number (616) 396-1435	
Street Address 355 Settlers Road		City Holland	State MI
Zip 49423			
Authorizing CPA Signature 	Printed Name Mark A. Veenstra	License Number A 58645	

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Management's Discussion and Analysis Holland Area Community Swimming Pool Authority

Using this Annual Report

This annual report consists of a series of financial statements. The Government-wide Statements include Statements of Net Assets and the Statement of Activities which provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than government-wide financial statements.

The Authority as a Whole

In a condensed format, the table below shows the net assets as of the current date:

	<u>2004/05</u>	<u>2005/06</u>
Current assets	1,387,640	1,573,651
Capital assets	11,575,063	11,274,149
Other Assets	307,001	270,670
Total assets	13,269,704	13,118,470
Long term debt outstanding	8,140,000	7,635,000
Other liabilities	604,070	638,453
Total liabilities	8,744,070	8,273,453
Net Assets		
Invested in capital assets – net of debt	2,960,063	3,134,149
Restricted	81,838	162,650
Unrestricted	1,483,733	1,548,218
Total Net Assets	4,525,634	4,845,017

Unrestricted net assets represents the portion of net assets that can be used to finance day to day operations. The current level of unrestricted net assets for our governmental activities stands at \$1,548,218, or about 61% of expenditures. This is within the targeted range set by the Authority Board during the last budget process.

The following table shows the changes in net assets for the year ended June 30, 2006:

	<u>2004/05</u>	<u>2005/06</u>
Revenues		
Charges for services	839,696	828,266
Property taxes for general purposes	1,031,480	1,060,736
Property taxes for debt services	875,015	867,614
Investment earnings	62,460	80,478
Revenue sharing proceeds	29,244	29,244
Total Revenues	2,837,895	2,866,338
Expenditures		
Pool operations	2,612,067	2,546,955
Total expenditures	2,612,067	2,546,955
Change in net assets	220,740	319,383

The Authority's net assets continue to remain healthy. Total revenues increased by 1.0% primarily due to increases in tax revenues and interest income. Expenses decreased primarily due to decreased costs for capital outlay and benefits, even though energy costs and costs for supplies continued to rise.

The Authority's Funds

Our analysis of the Authority's major funds begins on page 7 following the entity wide financial statements. The fund financial statements provide detailed information about the specific funds, not the Authority as a whole. The Authority Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages. The Authority's two funds are the General Fund and the Debt Retirement Fund.

The General fund pays for the day to day operation of the Holland Community Aquatic Center. The Debt Retirement Fund pays for the principal and interest on the Authority's bonded indebtedness.

General Fund Budgetary Highlights

The Authority Board adopted the operating budget at the most general level this past year, which made it unnecessary for any budget amendments to be adopted.

At the end of the current fiscal year the unreserved fund balance of the general fund was \$1,328,016. At the end of the previous fiscal year the fund balance amounted to \$1,231,951. These two figures indicate the fund balance increased by \$96,065. The primary reason for this was holding of expenditures below budgeted levels.

On January 1, 2005, the Authority terminated an agreement with Holland Public Schools to provide the employees for the Aquatic Center. The Authority has now become the employer for all its own employees. The financial impact of this change has presented a savings to the Authority because of lower health insurance costs, lower retirement costs, and lower insurance costs. These savings were fully realized this past fiscal year, which was the first entire year the Authority was split from the schools. More importantly, the Authority now has the capacity to make decisions concerning the levels of salaries and benefits, which in the future will allow the Authority to have complete control over its financial position.

Debt Service Fund Budgetary Highlights

The Debt Service Fund ended this fiscal year with a fund balance of \$162,650, all of which is reserved for payment of debt service. The fund balance at the end of the previous fiscal year was \$81,838. This increase was primarily due to the lower payments for principal and interest on the bonds as a result of the previous year's bond refinancing.

Capital Asset and Debt Administration

The Authority's investment in capital assets as of June 30, 2006 amounts to \$11,274,149. This investment includes land, buildings, improvements, machinery and equipment. The current amount reflects an accumulated depreciation of \$2,501,498 since the end of the last fiscal year.

Long Term Debt

At the end of the current fiscal year, the Authority had a total bonded debt outstanding of \$8,140,000. The Authority's debt decreased by \$475,000 during the current fiscal year as bonds were paid off.

Economic Factors and Next Year's Budgets and Rates

The Authority's budget for the year ending June 30, 2007 was developed with the knowledge that the present voted operating millage of .85 mills, approved by the voters in June of 2006, will not be rolled back due to the Headlee amendment. It also assumes a growth in taxable value across the Authority of 1.5%. The expenses of the Authority are expected to increase as costs for utilities, labor, and benefit premiums rise. As the Aquatic Center facility ages, we also expect that costs for maintaining the facility will increase due to necessary replacement of equipment as it reaches the useful end of its life expectancy. There are no major capital projects planned for the current fiscal year.

As discussed above, it is anticipated that the Authority will evaluate the need for possible increases in fees charged for services, cost saving measures, as well as continual analysis of the amount of assets held in fund balance.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Executive Director at the business office of Holland Community Aquatic Center, 550 Maple Ave., Holland, MI 49423.

INDEPENDENT AUDITORS' REPORT

**Board of Directors
Holland Area Community Swimming Pool Authority
Holland, Michigan**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Holland Area Community Swimming Pool Authority as of and for the year ended June 30, 2006, which collectively comprise the Holland Area Community Swimming Pool Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pool Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Holland Area Community Swimming Pool Authority as of June 30, 2006 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - iv and 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 16, 2006 on our consideration of the Holland Area Community Swimming Pool Authority's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Holland Area Community Swimming Pool Authority's basic financial statements. The accompanying information identified in the table of contents as other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

DE BOER, BAUMANN & COMPANY, P.L.C.

De Boer, Baumann & Company, P.L.C.

Certified Public Accountants
Holland, Michigan
August 16, 2006

**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Board of Directors
Holland Area Community Swimming Pool Authority
Holland, Michigan**

We have audited the basic financial statements of Holland Area Community Swimming Pool Authority as of and for the year ended June 30, 2006, and have issued our report thereon dated August 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Holland Area Community Swimming Pool Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Holland Area Community Swimming Pool Authority in a separate letter dated August 16, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Holland Area Community Swimming Pool Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that

might be material weaknesses. A material weakness is a condition in which the designed operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over the financial reporting that we have reported to management of the Holland Area Community Swimming Pool Authority in a separate letter dated August 16, 2006.

This report is intended solely for the information and use of the audit committee, management and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DE BOER, BAUMANN & COMPANY, P.L.C.

De Boer, Baumann & Company, P.L.C.

Certified Public Accountants
Holland, Michigan
August 16, 2006

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash on Hand	\$ 1,417
Cash in Bank	424,263
Investments	1,147,971
TOTAL CURRENT ASSETS	<u>1,573,651</u>
NON CURRENT ASSETS	
Land	10,000
Buildings	13,474,270
Furniture, Fixtures and Equipment	291,377
Total	13,775,647
Less: Accumulated Depreciation	<u>(2,501,498)</u>
TOTAL NONCURRENT ASSETS	<u>11,274,149</u>
OTHER ASSETS	
Deferred bond refunding costs, net of amortization	<u>270,670</u>
TOTAL ASSETS	<u>\$ 13,118,470</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 41,681
Due to Other Governmental Units	22
Accrued Payroll Taxes & Withholding	7,307
Accrued Wages	33,975
Interest Payable	50,468
Current Portion of Bonds Payable	505,000
TOTAL CURRENT LIABILITIES	<u>638,453</u>
LONG-TERM LIABILITIES	
Bonds Payable, net of current portion	<u>7,635,000</u>
NET ASSETS	
Invested in Capital Assets, net of related debt	3,134,149
Restricted for Debt Service	162,650
Unrestricted	1,548,218
TOTAL NET ASSETS	<u>4,845,017</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,118,470</u>

See accompanying notes to financial statements.

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

		<u>Program Revenues</u>	
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Primary Government:			
Governmental Activities:			
Pool Operations	\$ 2,546,955	\$ 828,266	\$ (1,718,689)
 General Revenues:			
Taxes			
Property Taxes, levied for general purposes			1,060,736
Property Taxes, levied for debt services			867,614
State of Michigan Revenue Sharing Proceeds			29,244
Unrestricted Investment Earnings			<u>80,478</u>
Subtotal, General Revenues			<u>2,038,072</u>
 Change in Net Assets			 319,383
Net Assets - beginning of year			<u>4,525,634</u>
Net Assets - end of year			<u>\$ 4,845,017</u>

See accompanying notes to financial statements.

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	Debt Retirement Fund	Totals
ASSETS			
Cash on Hand	\$ 1,417	\$ -	\$ 1,417
Cash in Bank	261,613	162,650	424,263
Investments	<u>1,147,971</u>	<u>-</u>	<u>1,147,971</u>
TOTAL ASSETS	<u>\$ 1,411,001</u>	<u>\$ 162,650</u>	<u>\$ 1,573,651</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 41,681	\$ -	\$ 41,681
Due to Other Governmental Units	22	-	22
Accrued Payroll Taxes & Withholding	7,307	-	7,307
Accrued Wages	<u>33,975</u>	<u>-</u>	<u>33,975</u>
TOTAL LIABILITIES	<u>82,985</u>	<u>-</u>	<u>82,985</u>
FUND BALANCES			
Reserved for Debt Retirement	-	162,650	162,650
Unreserved	<u>1,328,016</u>	<u>-</u>	<u>1,328,016</u>
TOTAL FUND BALANCES	<u>1,328,016</u>	<u>162,650</u>	<u>1,490,666</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,411,001</u>	<u>\$ 162,650</u>	<u>\$ 1,573,651</u>

See accompanying notes to financial statements.

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2006

Total Governmental Fund Balances **\$ 1,490,666**

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital Assets used in governmental activities are not
financial resources and are not reported in the funds

Cost of Capital Assets	\$ 13,775,647	
Accumulated Depreciation	<u>(2,501,498)</u>	11,274,149

Long term liabilities are not due and payable in the
current period and are not reported in the funds

Net Deferred Bond Refunding Costs	307,001	
Amortization	<u>(36,331)</u>	270,670

Bonds Payable	(8,140,000)
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Accrued interest is not included as a liability in governmental funds	<u>(50,468)</u>
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Net Assets of Governmental Activities	<u>\$ 4,845,017</u>
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See accompanying notes to financial statements.

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General Fund	Debt Retirement Fund	Totals
REVENUES			
Local Sources			
Property Taxes	\$ 1,019,289	\$ 831,384	\$ 1,850,673
Other Taxes	41,447	36,230	77,677
Interest Income	60,352	20,126	80,478
Rentals	132,369	-	132,369
Instructional	140,007	-	140,007
Open Swim	267,279	-	267,279
Membership Revenue	261,496	-	261,496
Concession Revenue	2,989	-	2,989
Merchandise Revenue	4,091	-	4,091
Other	20,035	-	20,035
State Sources			
Revenue Sharing Proceeds	29,244	-	29,244
Total Revenues	<u>1,978,598</u>	<u>887,740</u>	<u>2,866,338</u>
EXPENDITURES			
Wages and Benefits	1,162,550	-	1,162,550
Purchased Services - Maintenance/Repair	56,317	-	56,317
Purchased Services - Other	52,567	-	52,567
Supplies - Maintenance and Chemicals	39,586	-	39,586
Supplies - Other	38,934	-	38,934
Dues and Fees	21,939	-	21,939
Travel/Conferences/Training	6,018	-	6,018
Phone/Utilities/Insurance/Advertising	438,889	-	438,889
Other Miscellaneous Expense	9,694	-	9,694
Capital Outlay	51,830	-	51,830
Redemption of Serial Bonds	-	475,000	475,000
Interest on Bonded Debt	-	331,314	331,314
Paying Agent Fees and Other	-	614	614
Unrealized Loss	4,209	-	4,209
Total Expenditures	<u>1,882,533</u>	<u>806,928</u>	<u>2,689,461</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	96,065	80,812	176,877
FUND BALANCE - JULY 1,	<u>1,231,951</u>	<u>81,838</u>	<u>1,313,789</u>
FUND BALANCE - JUNE 30,	<u>\$ 1,328,016</u>	<u>\$ 162,650</u>	<u>\$ 1,490,666</u>

See accompanying notes to financial statements.

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 176,877
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Amounts reported for governmental activities in
the statement of activities are different because:

Governmental funds report capital outlay as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation.

Depreciation Expense	\$ (307,914)	
Capital Outlay	<u>7,000</u>	(300,914)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.	4,751
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Bond Amortization	(36,331)
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Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities.	<u>475,000</u>
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Change in Net Assets of Governmental Activities	<u>\$ 319,383</u>
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See accompanying notes to financial statements.

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Holland Area Community Swimming Pool Authority is involved with the ownership and operation of a community swimming pool.

The financial statements of the Holland Area Community Swimming Pool Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (M D & A) section providing an analysis of the Authority's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Authority's activities.

A change in the fund financial statement to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Authority also implemented GASB #33, *Accounting and Financial Reporting for Non-exchange Transactions*. The pronouncement defines revenue recognition for non-exchange transactions at the fund and governmental levels.

A. Reporting Entity

The Holland Area Community Swimming Pool Authority is formed for all purposes permissible under Act No. 425, Public Acts of Michigan, 1994, as amended including but not limited to the ownership and/or operation of a community swimming pool. The following participating municipalities have adopted resolutions providing for the establishment of and the municipality's participation in the Holland Area Community Swimming Pool Authority: City of Holland, Holland Charter Township, Park Township, and Laketown Township.

B. Basic Financial Statements

Government Wide Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Authority's activities are classified as governmental activities. Fiduciary funds are excluded from the

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

government-wide financial statements. The Authority currently does not have any Fiduciary funds.

In the governmental-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in three parts, invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Authority first utilizes restricted resources to finance qualifying activities.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State Revenue Sharing.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, federal sources and interest income).

The Authority does not allocate indirect costs. In creating the government-wide financial statements the Authority has eliminated interfund transactions.

This governmental-wide focus is more on the sustainability of the Pool Authority as an entity and the change in the Pool Authority's net assets resulting from current year's activities.

Fund Financial Statements

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Pool functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and fiduciary.

Included in the financial statements are:

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds:

Major Governmental Funds:

General Fund - Accounts for all revenues and expenditures except those required to be accounted for in other funds.

Debt Retirement Fund - Accounts for receipt of funds and payment of interest, principal, and other expenses on long-term bonded debt.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both measurable and available.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the Pool Authority, available means expected to be received within sixty days of the fiscal year-end.

Expenditures are generally recognized when the fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due.

D. Investments

Investments are stated at market value.

E. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet. There were no interfund transactions for the year ended June 30, 2006.

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Net Deferred Bond Refunding Costs

The Authority has deferred bond refunding costs from the 2004 Refunding Bond. GASB 23 requires the deferred bond costs to be amortized over the shorter of the life of the old debt or the new debt. Therefore, the Authority is amortizing the deferred bond costs over 14 years, as the lives for both debt issues was the same, using the weighted average method. Amortization expense for the year ended June 30, 2006 amounted to \$ 36,331.

G. Unemployment Taxes

The Pool Authority has elected to file and pay unemployment taxes on a quarterly basis.

H. Accumulated Sick Leave, Vacation Liability

In accordance with certain employment policies employees may accumulate a maximum of 720 hours of sick leave, but this will not be paid upon termination of employment. Vacation time of 40 hours maximum, may be carried over to the following year, upon termination of employment, employees will be paid for unused vacation time. Under the terms of these policies the amount which will ultimately be paid by the Pool Authority is indeterminable at the balance sheet date, and accordingly, no additional provision is included in the financial statements.

I. Net Assets/Fund Balance

Reserves represent those portions of fund balance/net assets not appropriable for expenditure or legally segregated for a specific future use.

J. Capital Assets

The Authority has adopted a capitalization policy that considers individual items with a value greater than \$ 5,000 as capital assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	15-50 years
Furniture, Fixtures and Equipment	5-15 years

Other accounting policies are disclosed as appropriate in other notes to the financial statements.

K. Legal and Budgetary Requirements

The Michigan Uniform Budgeting and Accounting Act requires the establishment of an annual budget for the General Fund adopted by the Board at the beginning of the fiscal year.

State law requires operation under a balanced budget and budgetary control to the functional, activity or line item level as defined in the Uniform Budgeting and Accounting Act. The general fund budget figures in the accompanying financial statements have been reported on an activity basis and reflect approved amendments made during the year.

The budgets are prepared, controlled, and approved by the Board of the Authority.

The Authority uses the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Starting in the spring, the Director of the Authority establishes a proposed operating budget for the fiscal year commencing the following July 1.
- b. Prior to June 30, a preliminary appropriations budget is adopted by the Board for the subsequent fiscal year to comply with State of Michigan regulations.
- c. Budgets for the General Fund and Debt Retirement Fund are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended by the Board on various dates. Individual amendments were not material in relation to the original appropriations, which were amended.

Once a budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, and are reflected in the official minutes of the Board and are not made after fiscal year-end as dictated by law.

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The final amended budget was approved by the Board on June 22, 2005 for the General Fund and Debt Retirement Fund.

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates

NOTE 2: CASH AND INVESTMENTS

Balances at June 30, 2006 relating to cash in bank and investments are detailed on the combined balance sheets as follows:

	Financial Statements	Totals Per Bank/Investment Balance
Cash in Bank	\$ 424,263	\$ 430,270
Investments	1,147,971	1,147,971
Totals	<u>\$ 1,572,234</u>	<u>\$ 1,578,241</u>

The difference in the financial statement balances and the bank balances is due to outstanding checks and deposits in transit at June 30, 2006. Cash in bank consists of checking accounts of which \$ 100,000 was covered by federal depository insurance. At June 30, 2006, the Pool's uninsured cash in bank balance totals \$ 330,270.

The Authority includes certificates of deposit and savings accounts in "Investments" on the Balance Sheet.

As of June 30, 2006, \$ 1,147,971 of the Investment balance was composed of following investments:

	<u>Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
			<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Greenleaf Trust						
Certificates of Deposit	\$ 195,000	\$ 195,000	\$ 50,000	\$ 145,000	\$ -	-
US Government Agency Bonds	672,109	662,706	99,844	562,862	-	-
Money Market Funds*	117,276	117,277	117,277	-	-	-
Bank of Holland						
Public Funds*	172,988	172,988	172,988	-	-	-
Total	<u>\$1,157,373</u>	<u>\$1,147,971</u>	<u>\$ 440,109</u>	<u>\$ 707,862</u>	<u>\$ -</u>	<u>\$ -</u>

* Money Market Funds and Public Funds are uninsured and uncollateralized.

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Credit Risk: The Authority is authorized by state law to invest in the following: bonds, bills or notes of the United States; obligations fully guaranteed by the United States; obligations of the State; certificates of deposit issued by banks and savings and loan associations which are insured with the applicable federal agency; commercial paper rated prime and maturing not more than 270 days after date of purchase; bankers' acceptances issued by a bank that is a member of FDIC; investment pools that are composed entirely of instruments that are legal for direct investment by the Authority. The Authority's investment policy does not further limit its investment choices.

Interest Rate Risk: Beyond the limitations on maturities required by state law, the Authority's investment policy does not further limit investment maturities as a means of managing its exposure to fair value losses.

NOTE 3: CAPITAL ASSETS

A summary of changes in Governmental capital assets follows:

	Balance 7/01/05	Additions	Disposals and Adjustments	Balance 6/30/06
Assets not Being				
Depreciated - Land	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>
Other Capital Assets:				
Buildings	13,474,270	-	-	13,474,270
Furniture and Equipment	<u>284,377</u>	<u>7,000</u>	<u>-</u>	<u>291,377</u>
Subtotal	<u>13,758,647</u>	<u>7,000</u>	<u>-</u>	<u>13,765,647</u>
Accumulated Depreciation:				
Buildings	2,061,532	277,385	-	2,338,917
Furniture and Equipment	<u>132,052</u>	<u>30,529</u>	<u>-</u>	<u>162,581</u>
Subtotal	<u>2,193,584</u>	<u>307,914</u>	<u>-</u>	<u>2,501,498</u>
Net Other Capital Assets	<u>11,565,063</u>	<u>(300,914)</u>	<u>-</u>	<u>11,264,149</u>
Net Capital Assets	<u>\$ 11,575,063</u>	<u>\$ (300,914)</u>	<u>\$ -</u>	<u>\$ 11,274,149</u>

Depreciation for fiscal year ended June 30, 2006 amounted to \$ 307,914, and is allocated directly to Pool Operations.

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4: GENERAL LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2006:

<u>Bonds</u>	
Balance – July 1, 2005	\$ 8,615,000
Bond Payments	<u>(475,000)</u>
Balance – June 30, 2006	<u>\$ 8,140,000</u>

General long-term debt consists of the following:

2004 Bond Issue	<u>\$ 8,140,000</u>
-----------------	---------------------

Bonds payable consists of the following:

\$ 8,175,000 – 2004 Refunding Bonds were issued to refund a portion of the 1997 General Obligation Bonds. The serial bonds are due in installments of \$ 35,000 to \$ 750,000 in the years 2006 through 2019 with interest of 2.250% to 5.250%.

Current Portion
Long-Term Debt

\$ 8,140,000
<u>505,000</u>
<u>\$ 7,635,000</u>

Maturities of bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>
2007	\$ 505,000	\$ 302,806
2008	525,000	290,181
2009	545,000	275,744
2010	560,000	259,394
2011	575,000	241,894
2012-2016	3,205,000	890,081
2017-2019	2,225,000	178,600

Interest expense on bonded debt for the year ended June 30, 2006 was \$ 331,314, as reported in the fund financial statements (modified accrual). Interest expense on the government wide statements (full accrual) for the year ended June 30, 2006 is allocated directly to pool operations in the amount of \$ 326,563.

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5: ADVANCE REFUNDING BONDS

On October 20, 2004, the Authority issued \$ 8,175,000 in refunding bonds with interest rates ranging between 2.250% and 5.250%. The Authority issued the bonds to advance refund \$ 8,330,000 of outstanding 1997 bonds. The Authority used the net proceeds along with other resources to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, that portion of 1997 bonds are considered defeased, and the Authority has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$ 8,330,000 at June 30, 2006.

NOTE 6: PROPERTY TAXES

Property taxes are recorded as revenue in the General Fund and Debt Retirement Fund in the year in which they are due. Properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County tax rolls.

	<u>Total Collected</u>	<u>Summer Taxes</u>	<u>Winter Taxes</u>
City of Holland	\$ 816,648	100% due August 15	0% due February 15
Holland Township	35,989	50% due September 15	50% due February 15
Laketown Township	97,567	50% due September 15	50% due February 15
Park Township	69,085	50% due September 15	50% due February 15
	<u>\$ 1,019,289</u>		

Property Taxes are recorded as revenue in the Debt Retirement Fund in the year in which they are due. The total amount received is as follows:

City of Holland	\$ 666,892	100% due August 15	0% due February 15
Holland Township	29,214	50% due September 15	50% due February 15
Laketown Township	79,199	50% due September 15	50% due February 15
Park Township	56,079	50% due September 15	50% due February 15
	<u>\$ 831,384</u>		

NOTE 7: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority carries commercial insurance for all the above mentioned types of risks of loss including general, property damage, employee health and accident insurance, and workers' compensation. Settled claims have not exceeded the commercial coverage in the prior three years.

REQUIRED SUPPLEMENTAL INFORMATION

**HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Total Revenues	<u>\$ 1,985,700</u>	<u>\$ 1,985,700</u>	<u>\$ 1,978,598</u>	<u>\$ (7,102)</u>
 EXPENDITURES				
Total Expenditures	<u>1,956,975</u>	<u>1,956,975</u>	<u>1,882,533</u>	<u>74,442</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 28,725	 28,725	 96,065	 67,340
 FUND BALANCE - JULY 1,	 <u>1,231,951</u>	 <u>1,231,951</u>	 <u>1,231,951</u>	 <u>-</u>
 FUND BALANCE - JUNE 30,	 <u>\$ 1,260,676</u>	 <u>\$ 1,260,676</u>	 <u>\$ 1,328,016</u>	 <u>\$ 67,340</u>

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
SCHEDULE OF BONDED INDEBTEDNESS
1997 BUILDING AND SITE BONDS
JUNE 30, 2006

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bond Principal</u>		<u>Interest Due</u>
		<u>Issued</u>	<u>Redeemed Refunded</u>	
5/1/98	7.125%	\$ 150,000	\$ 150,000	\$ 631,333
5/1/99	7.125	225,000	225,000	620,646
5/1/00	7.125	265,000	265,000	604,614
5/1/01	7.125	305,000	305,000	585,733
5/1/02	7.125	350,000	350,000	564,002
5/1/03	7.125	375,000	375,000	539,064
5/1/04	7.125	395,000	395,000	512,346
5/1/05	7.125	415,000	415,000	270,745
5/1/06	6.300	440,000	440,000	27,720
5/1/07	5.125	465,000	465,000	-
5/1/08	5.125	490,000	490,000	-
5/1/09	5.125	520,000	520,000	-
5/1/10	5.125	550,000	550,000	-
5/1/11	5.125	585,000	585,000	-
5/1/12	5.125	615,000	615,000	-
5/1/13	5.125	650,000	650,000	-
5/1/14	5.125	690,000	690,000	-
5/1/15	5.125	725,000	725,000	-
5/1/16	5.125	760,000	760,000	-
5/1/17	5.125	760,000	760,000	-
5/1/18	5.125	760,000	760,000	-
5/1/19	5.125	760,000	760,000	-
Totals		<u>\$ 11,250,000</u>	<u>\$ 11,250,000</u>	<u>\$ 4,356,203</u>

Purpose:

Constructing, relocating, remodeling, furnishing and equipping an expansion, improvement and alteration of the existing swimming pool, athletic facility and athletic field.

Types and Dollar Amount of Bonds:

Current Interest (Serial) Bonds	\$ 7,485,000
Current Interest (Term) Bonds	<u>3,765,000</u>
Mandatory Redemption	<u>\$ 11,250,000</u>

The Bonds maturing on May 1, 2016 and May 1, 2019 are term bonds subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below.

Term Bond Due May 1, 2016

Redemption Dates	Principal Amounts
May 1, 2015	\$ 725,000
May 1, 2016 (Maturity)	760,000

Term Bond Due May 1, 2019

Redemption Dates	Principal Amounts
May 1, 2017	\$ 760,000
May 1, 2018	760,000
May 1, 2019 (Maturity)	760,000

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
SCHEDULE OF BONDED INDEBTEDNESS
2004 REFUNDING BONDS
JUNE 30, 2006

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bond Principal</u>		<u>Interest Due</u>
		<u>Issued</u>	<u>Redeemed Refunded</u>	
5/1/05	2.250%	\$ -	\$ -	\$ 145,894
5/1/06	2.250	35,000	35,000	303,594
5/1/07	2.500	505,000	-	302,806
5/1/08	2.750	525,000	-	290,181
5/1/09	3.000	545,000	-	275,744
5/1/10	3.125	560,000	-	259,394
5/1/11	3.250	575,000	-	241,894
5/1/12	3.375	595,000	-	223,206
5/1/13	3.500	615,000	-	203,125
5/1/14	3.625	640,000	-	181,600
5/1/15	5.250	660,000	-	158,400
5/1/16	5.000	695,000	-	123,750
5/1/17	4.000	730,000	-	89,000
5/1/18	4.000	750,000	-	59,800
5/1/19	4.000	745,000	-	29,800
Totals		<u>\$ 8,175,000</u>	<u>\$ 35,000</u>	<u>\$ 2,888,188</u>

Purpose:

To advance refund all or a portion of the Authority's Building and Site Bonds, dated September 1, 1996, which are due and payable May 1, 2007 through May 1, 2019 and to pay the costs of issuing the bonds.

The Bonds maturing on or after May 1, 2015 are subject to optional redemption beginning May 1, 2014. Bonds or portions of bonds in multiples of \$ 5,000 are subject to redemption at the option of the Authority in such order as the Authority may determine and by lot within any maturity, on any date occurring on or after May 1, 2014, at par plus accrued interest to the date fixed for redemption.

HOLLAND AREA COMMUNITY SWIMMING POOL AUTHORITY
PROPERTY TAX DATA
YEAR ENDED JUNE 30, 2006

<u>Year Levied</u>	<u>Levy</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Balance June 30, 2006</u>
<u>General Fund</u>				
2006	\$ 1,019,289	\$ 1,019,289	\$ -	\$ -
2005	988,651	988,651	-	-
2004	958,375	958,375	-	-
2003	921,844	921,844	-	-
2002	<u>892,558</u>	<u>892,558</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 4,780,717</u>	<u>\$ 4,780,717</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Debt Retirement Fund</u>				
2006	\$ 831,384	\$ 831,384	\$ -	\$ -
2005	838,145	838,145	-	-
2004	835,066	835,066	-	-
2003	893,174	893,174	-	-
2002	<u>925,909</u>	<u>925,909</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 4,323,678</u>	<u>\$ 4,323,678</u>	<u>\$ -</u>	<u>\$ -</u>

August 16, 2006

Board of Directors
Holland Area Community Swimming Pool Authority
Holland, Michigan

We have audited the financial statements of Holland Area Community Swimming Pool Authority for the year ended June 30, 2006 and have issued our reports thereon dated August 16, 2006.

In planning and performing our audit of Holland Area Community Swimming Pool Authority we considered its internal control structure as required by SAS No. 78, "Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS No. 55", *Government Auditing Standards*, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. We did not become aware of any conditions that we believe to be material weaknesses.

In connection with our audit of the financial statements of Holland Area Community Swimming Pool Authority, we observed day-to-day operations and wish to offer the following suggestions and comments:

GREENLEAF TRUST ACCOUNT

While auditing cash and investments, we found that the activity for the Greenleaf Trust Account had not been properly recorded. The account activity should be recorded and the account reconciled monthly. From our discussion with the Director, there appears to be a need for training of the bookkeeper working on this. Recording this activity will improve the accuracy of the Authority's accounting records.

CREDIT CARD POLICY

During testing of disbursements, we noted one instance of a credit card receipt being signed by an employee other than the cardholder. This situation diminishes the internal control set up by issuing cards to specific individuals. Purchases by credit card should be initiated and signed for by only those to whom the card is issued. We recommend that the Pool Authority create a credit card policy to establish proper internal control over the use of the Pool Authority's credit cards.

ASSET MANAGEMENT APPRAISAL

During the testing of property, plant and equipment, we found that the revised Asset Management Appraisal Report issued by Deyo/Stone Associates, Inc. contained several instances of incorrect information. The Report is used to keep track of fixed assets capitalized under the Authorities Capitalization Policy. It is also used to report annual depreciation of assets for the purpose of reporting on the financial statements. Due to these errors, the Report cannot be relied upon to provide accurate fixed asset and depreciation values. We recommend that the Pool Authority discuss the inaccuracies of the report with Deyo/Stone Associates, Inc. to ensure that corrections are made and that the assets of the Pool Authority will be properly represented in the future.

This report is intended solely for the information and use of the Board of Directors, management and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

If you wish to discuss any of these suggestions in detail or if we can be of any further assistance with implementing any of the above suggestions, please contact us.

DE BOER, BAUMANN & COMPANY, P.L.C.

De Boer, Baumann & Company, P.L.C.

Certified Public Accountants
Holland, Michigan
August 16, 2006